GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:4201
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INDUSTRIAL RECESSION
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Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) the measures taken by the Government to tide over economic and industrial recession in the country and also for industrial and commercial development during the last three years;

(b) whether the industrial recession has increased in the country in 2001-2002 as compared to 1997-98;

(c) whether the Government have prepared a report seeking to identify the causes behind the growing evidence of sickness in Indian Industry;

(d) if so, the details thereof; and

(e) the manner in which the Government propose to solve the problem?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (Shri Rajiv Pratap Rudy)

(a) and (b) : The economic recession is said to occur if GDP registers negative growth ratesfor last two successive quarters. The Indian economy has shown positive growth rates of GDP during the current financial year (2001-02) forwhich latest data is available. Similarly Industrial sector has also shownpositive growth rates during the current financial year. Hence, Indian economy and the industrial sector are not experiencing recession. The growth rate in GDP and industrial production during last three quarters of the current financial year are given below:

	Quarter 1 (April-June)	Quarter 2 (July-Sept.)	Quarter 3 (Oct-Dec)
GDP at factor cost +	4.4%	5.3%	6.3%
Industrial Production	2.4%	2.5%	2.7%

+ at 1993-94 prices

The Government has taken several measures to improve industrial production. These measures have been targeted to improve competitiveness of Indian industry in general and to boost aggregate demand, improve infrastructure base, upgrade technology, introduce labour flexibility and encourage FDI flows.

(c) to (e): The Reserve Bank of India prepares an annual review (end March) of industrial sickness, based on the returns submitted by the scheduled commercial banks. According to the RBI, several factors, both internal and external, often working in combination have been responsible for industrial sickness. The main causes include deficiencies in planning and project management, market saturation, lack of demand, non-availability of critical inputs such as power, raw material, transport bottlenecks etc.

The Government has taken a number of steps for reducing industrial sickness which inter-alia, include formulation of revival plans by BIFR that address issues such as deficiencies in management that arise out of production, labour, marketing, financial, administrative and implementation factors and encourage mergers of sick units with healthy units. The RBI has also issued elaborate guidelines covering all areas of industrial rehabilitation, viz, detection of industrial sickness at incipient stage, identification of sick/weak units, carrying out viability study of the unit, extension of reliefs and concessions to viable units, norms for promoters contribution extended period for repayment/rescheduling of loans and interest rate concessions.